



February 15, 2002

**ENGROSSED
HOUSE BILL No. 1259**

DIGEST OF HB 1259 (Updated February 14, 2002 9:28 AM - DI 97)

Citations Affected: IC 16-22; IC 16-23.

Synopsis: Various hospital matters. Removes political affiliation requirements to be appointed to the governing boards of county hospitals and certain municipal hospitals. Amends qualifications to be on the governing board of those hospitals. Allows a county hospital to have audits performed by independent certified public accountants. Removes certain approval procedures required for a county hospital to operate another hospital or a building in a county that contains a county or municipal hospital. Allows certain municipal and county hospital boards to meet in executive session to discuss certain topics and to purchase group malpractice insurance together. Prohibits a member of the appointing authority for a hospital's governing board from serving on the governing board. Updates population parameters to reflect changes in the 2000 decennial census.

Effective: Upon passage.

Crawford, Buell

(SENATE SPONSORS — GARD, BLADE)

January 14, 2002, read first time and referred to Committee on Public Health.
January 23, 2002, amended, reported — Do Pass.
January 28, 2002, read second time, ordered engrossed. Engrossed.
January 31, 2002, read third time, passed. Yeas 93, nays 1.

SENATE ACTION

February 5, 2002, read first time and referred to Committee on Health and Provider Services.
February 14, 2002, amended, reported favorably — Do Pass.

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EH 1259—LS 7210/DI 77+



February 15, 2002

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

ENGROSSED HOUSE BILL No. 1259

A BILL FOR AN ACT to amend the Indiana Code concerning health.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 16-22-2-2 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) Except as
3 otherwise provided in this article or in IC 16-12.1 (before its repeal on
4 July 1, 1993), each hospital established under this article or IC 16-12.1
5 (before its repeal on July 1, 1993) must have a board of four (4)
6 members, appointed by the county executive. ~~Not more than two (2)~~
7 ~~members may be of the same political party.~~ All four (4) members must
8 be residents of the county in which the hospital is located and one (1)
9 member may be a licensed physician who is a member of the medical
10 staff of the hospital. When appointing a physician member, the county
11 executive shall consider the recommendation of the medical staff of the
12 hospital.

13 (b) The initial appointments made under this section are as follows:
14 (1) One (1) member holds office for one (1) year.
15 (2) One (1) member holds office for two (2) years.
16 (3) One (1) member holds office for three (3) years.
17 (4) One (1) member holds office for four (4) years.

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1 (c) After the initial appointments, board members shall be appointed
2 to serve terms of four (4) years.

3 (d) Except as provided in section 11 of this chapter, a vacancy on
4 the board shall be filled by the county executive, and the appointee
5 shall be appointed to complete the unexpired term of the member
6 whose office has been vacated.

7 SECTION 2. IC 16-22-2-3.1 IS AMENDED TO READ AS
8 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3.1. (a) This
9 section applies to a hospital operated under IC 16-12-4-2 (before its
10 repeal on July 1, 1993) that is located in a county having a population
11 of more than ~~thirty-seven thousand (37,000)~~ but less than ~~thirty-seven~~
12 ~~thousand eight hundred (37,800)~~: **forty-one thousand (41,000) but**
13 **less than forty-three thousand (43,000).**

14 (b) The management of a hospital is under the control of a
15 governing board. The governing board consists of nine (9) members
16 appointed by the county executive as follows:

- 17 (1) Three (3) members must be members of the county executive.
18 (2) Six (6) members must be residents of the county, ~~and not more~~
19 ~~than three (3) members may be from the same political party.~~ One
20 (1) member may be a licensed physician.

21 (c) The term of each member of the governing board is three (3)
22 years.

23 (d) If a vacancy occurs due to the expiration of an appointed
24 member's term and the county executive does not fill the vacancy
25 within sixty (60) days from the date of expiration, the member whose
26 term has expired is automatically reappointed for another term.

27 SECTION 3. IC 16-22-2-5 IS AMENDED TO READ AS
28 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) This section
29 applies to county hospitals in counties having a population of more
30 than eighteen thousand (18,000) but less than eighteen thousand three
31 hundred (18,300).

32 (b) The hospital and the affairs and business of the hospital shall be
33 under the management and control of a governing board consisting of
34 seven (7) members as follows:

- 35 (1) Three (3) members must be the members of the county
36 executive.
37 (2) Two (2) members shall be appointed by the county fiscal
38 body, one (1) of whom may be a licensed physician.
39 (3) Two (2) members shall be appointed by the county executive.

40 (c) One (1) of the members initially appointed by the county fiscal
41 body serves for one (1) year and one (1) of the members initially
42 appointed serves for two (2) years. After the initial appointment, the

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1 members serve for two (2) years. ~~The members appointed by the county~~
 2 ~~council may not be affiliated with the same political party.~~

3 (d) One (1) of the members initially appointed by the county
 4 executive serves for one (1) year and one (1) of the members initially
 5 appointed serves for two (2) years. After the initial appointment, the
 6 members serve for two (2) years. ~~The members appointed by the county~~
 7 ~~executive may not be affiliated with the same political party.~~

8 SECTION 4. IC 16-22-2-6 IS AMENDED TO READ AS
 9 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) This section
 10 applies to hospitals established under Acts 1917, c.144, s.1.

11 (b) Except as provided in section 7 of this chapter, the management
 12 of the hospital shall be under the control of a governing board
 13 consisting of four (4) members appointed by the county executive. One
 14 (1) of the members may be a licensed physician. The members shall be
 15 chosen from the residents of the county. ~~Not more than two (2) of the~~
 16 ~~members may be residents of the city or town in which the hospital is~~
 17 ~~to be located; and not more than two (2) members may be of the same~~
 18 ~~political party or belief.~~

19 (c) The initial terms of the members are as follows:

20 (1) One (1) member has a term of one (1) year.

21 (2) One (1) member has a term of two (2) years.

22 (3) One (1) member has a term of three (3) years.

23 (4) One (1) member has a term of four (4) years.

24 After the initial appointments, the members serve for four (4) years.

25 SECTION 5. IC 16-22-2-7 IS AMENDED TO READ AS
 26 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. (a) Except as
 27 provided in subsection (d), a governing board of four (4) members in
 28 existence on September 2, 1971, may petition the county executive to
 29 increase the size of the board to five (5), six (6), seven (7), eight (8), or
 30 nine (9) members. If the county executive approves the petition, the
 31 county executive shall appoint new members to increase the number of
 32 board members to the chosen size in the following manner:

33 ~~(1) If a board size of:~~

34 ~~(A) five (5) or six (6) members is chosen; not more than three~~
 35 ~~(3) members may be of the same political party;~~

36 ~~(B) seven (7) or eight (8) members is chosen; not more than~~
 37 ~~four (4) members may be of the same political party; and~~

38 ~~(C) nine (9) members is chosen; not more than five (5)~~
 39 ~~members may be of the same political party.~~

40 ~~(2) (1) All members must be residents of the county in which the~~
 41 ~~hospital is located.~~

42 ~~(3) (2) If a board size of five (5) members is chosen, a new~~

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- 1 member shall be appointed for an initial term of one (1) year.
- 2 ~~(4)~~ (3) If a board size of six (6) members is chosen, the new
- 3 members shall be appointed in the following order as necessary:
- 4 (A) One (1) new member for an initial term of one (1) year.
- 5 (B) One (1) new member for an initial term of two (2) years.
- 6 ~~(5)~~ (4) If a board size of seven (7) members is chosen, the new
- 7 members shall be appointed in the following order as necessary:
- 8 (A) One (1) new member for an initial term of one (1) year.
- 9 (B) One (1) new member for an initial term of two (2) years.
- 10 (C) One (1) new member for an initial term of three (3) years.
- 11 ~~(6)~~ (5) If a board size of eight (8) members is chosen, the new
- 12 members shall be appointed in the following order as necessary:
- 13 (A) One (1) new member for an initial term of one (1) year.
- 14 (B) One (1) new member for an initial term of two (2) years.
- 15 (C) One (1) new member for an initial term of three (3) years.
- 16 (D) One (1) new member for an initial term of four (4) years.
- 17 ~~(7)~~ (6) If a board size of nine (9) members is chosen, the new
- 18 members shall be appointed in the following order as necessary:
- 19 (A) Two (2) new members for an initial term of one (1) year.
- 20 (B) One (1) new member for an initial term of two (2) years.
- 21 (C) One (1) new member for an initial term of three (3) years.
- 22 (D) One (1) new member for an initial term of four (4) years.
- 23 ~~(8)~~ (7) If a board size of seven (7), eight (8), or nine (9) members
- 24 is chosen, two (2) members may be licensed physicians.
- 25 (b) A governing board that has increased its size may petition the
- 26 county executive to decrease the size of the board. However, a decrease
- 27 under this subsection may only be accomplished through:
- 28 (1) the vacancy of a member's position, either through expiration
- 29 of the member's term or any other cause; or
- 30 (2) removal of a member as provided under applicable law.
- 31 (c) There is no limit to the number of times a governing board may
- 32 seek to increase or decrease its size under this section.
- 33 (d) For a governing board of four (4) members located in a county
- 34 having a population of:
- 35 (1) more than ~~thirteen thousand (13,000)~~ but less than **thirteen**
- 36 ~~thousand six hundred (13,600);~~ **fourteen thousand five hundred**
- 37 **(14,500)** but less than **fourteen thousand nine hundred**
- 38 **(14,900);**
- 39 (2) more than ~~twenty-three thousand (23,000)~~ but less than
- 40 ~~twenty-three thousand five hundred (23,500);~~ **twenty-five**
- 41 **thousand (25,000)** but less than **twenty-five thousand five**
- 42 **hundred (25,500);** or

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1 (3) more than ~~thirty thousand six hundred (30,600) but less than~~
 2 ~~thirty-one thousand (31,000);~~ **thirty-three thousand eight**
 3 **hundred (33,800) but less than thirty-four thousand three**
 4 **hundred (34,300);**

5 the county executive may increase the number of board members to
 6 five (5), six (6), or seven (7), subject to the limitations of this section.
 7 After the initial appointments, each board member shall be appointed
 8 to serve for a term of four (4) years.

9 SECTION 6. IC 16-22-2-8 IS AMENDED TO READ AS
 10 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. (a) This section
 11 applies to a county where a city hospital is operated under IC 16-23-1.

12 (b) A county hospital may be created by an order of the county
 13 executive without filing a petition or holding an election.

14 (c) The county executive may create a hospital association under
 15 IC 16-22-6.

16 (d) An appointing board shall be formed to appoint the members of
 17 the governing board of the county hospital. The appointing board shall
 18 consist of three (3) members, as follows:

19 (1) The executive of the city where the city hospital is located.

20 (2) The judge of the circuit court of the county.

21 (3) A member of the county executive chosen by the county
 22 executive of the county.

23 (e) Each member must take and subscribe an oath for the honest and
 24 faithful performance of the member's duties, which shall be filed in the
 25 auditor's office of the county.

26 (f) The governing board consists of seven (7) members with the
 27 following qualifications:

28 (1) Each member must be a qualified voter in the county.

29 ~~(2) Three (3) members must be residents of the city; and three (3)~~
 30 ~~members must be residents of the county living outside the~~
 31 ~~corporate limits of the city. The remaining member may reside~~
 32 ~~either inside or outside the corporate limits of the city.~~

33 ~~(3) Not more than four (4) members may belong to the same~~
 34 ~~political party.~~

35 ~~(4) At least one (1) member must; but (2) Not more than two (2)~~
 36 ~~members may be licensed physicians.~~

37 ~~(5) (3) One (1) member must may be a registered nurse licensed~~
 38 ~~to practice in Indiana.~~

39 (g) Initial and subsequent appointments to the hospital board shall
 40 be made for staggered terms ending on February 1 to coincide with the
 41 terms of members of the city hospital board of directors created by
 42 IC 16-23-1.

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1 (h) The appointing board members may serve without bond. The
 2 regular meeting of the appointing board for the appointment of
 3 members to the hospital board shall be on the third Monday in January
 4 of each year following the year of the initial appointments. The meeting
 5 may adjourn periodically until the appointments for all expired or
 6 vacant memberships are made. Vacancies occurring on the hospital
 7 board may be filled at a special meeting of the appointing board called
 8 by the county auditor or by two (2) members of the appointing board
 9 on five (5) days notice to all appointing board members, or without
 10 notice if all of the appointing board members are present at the
 11 meeting. Each meeting of the appointing board shall be held at the
 12 county executive's room of the county, unless by unanimous consent
 13 the board determines to hold the meeting at another location.

14 (i) The county executive shall choose the board's member of the
 15 appointing board each year following the year of initial appointments
 16 at the board's regular January meeting.

17 (j) The governing board may operate the county hospital jointly with
 18 the city hospital operated in the same county under IC 16-23-1. The
 19 joint operation may include joint employment of an administrator and
 20 other personnel, joint policies, joint purchases, joint services, and other
 21 programs to deliver health care at a reduced cost. The governing board
 22 of the county hospital may contract with the governing board of the city
 23 hospital to allocate revenues and expenditures and for the
 24 administration of the hospitals, but records must be kept that reflect the
 25 separate ownership, financial obligations, and existence of the county
 26 hospital and the city hospital.

27 SECTION 7. IC 16-22-2-13 IS ADDED TO THE INDIANA CODE
 28 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE**
 29 **UPON PASSAGE]: Sec. 13. Except as otherwise required by state**
 30 **law, a member of an appointing authority for the governing board**
 31 **of a hospital established and operated under this article, except a**
 32 **hospital established and operated under IC 16-22-8, may not serve**
 33 **on the hospital's governing board.**

34 SECTION 8. IC 16-22-3-2 IS AMENDED TO READ AS
 35 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) The
 36 governing board may purchase, construct, remodel, repair, enlarge, or
 37 acquire buildings and real or personal property for hospital purposes,
 38 upon terms and conditions acceptable to the board.

39 (b) The governing board may use hospital funds if adequate
 40 provision is made for working capital and other known and anticipated
 41 hospital needs.

42 (c) ~~If the building or real property is located outside the county and~~



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1 in a county with a hospital organized or operated under this article
 2 (except IC 16-22-8) or IC 16-23; the board must receive the approval
 3 of the county executives of both the county in which the hospital is
 4 located and the county in which the building or real property is located.

5 (d) The approval under subsection (c) is not required if the building
 6 or real property is acquired by hospitals in the affected counties as
 7 participants in an organization or activity described under section 1(b)
 8 of this chapter or as participants in an arrangement in which at least
 9 two (2) hospitals participate for the provision of any hospital or related
 10 services, including participation or ownership as a tenant in common
 11 with other hospitals. All hospitals in the affected counties that are
 12 organized or operated under this article (except IC 16-22-8) or
 13 IC 16-23 are also participants.

14 SECTION 9. IC 16-22-3-12 IS AMENDED TO READ AS
 15 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 12. (a) The state
 16 board of accounts:

17 (1) shall approve or prescribe the manner in which the hospital
 18 records are kept;

19 (2) **except as provided in subsection (c)**, shall audit the records
 20 of the hospital; and

21 (3) may approve forms for use by all hospitals or groups of
 22 hospitals.

23 (b) The governing board may use the calendar year or a fiscal year
 24 for maintaining hospital financial records. A hospital that receives a
 25 financial subsidy from the county for hospital operations, excluding
 26 mental health or ambulance services, during the preceding calendar or
 27 fiscal year must file with the county executive and the county fiscal
 28 body an annual report showing the income and expenses of the
 29 operating fund for the preceding calendar or fiscal year by major
 30 classification according to the chart of accounts approved by the state
 31 board of accounts. If the hospital uses a calendar year for maintaining
 32 financial records, the report must be filed not later than the last
 33 Monday in March of each year. If the hospital uses a fiscal year for
 34 maintaining financial records, the report must be filed not later than
 35 ninety (90) days after the close of the fiscal year. The annual report
 36 shall be published one (1) time. Hospital financial records may be kept
 37 in hard copy, on microfilm, or via another data system acceptable to the
 38 state board of accounts.

39 (c) **A hospital may elect to have an audit required under**
 40 **subsection (a) performed by an independent certified public**
 41 **accounting firm that is experienced in hospital matters. The audit**
 42 **report must be kept on file at the hospital and a copy must be**



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1 provided to the state board of accounts. The audit engagement by
 2 a certified public accounting firm must be performed pursuant to
 3 guidelines established by the state board of accounts.

4 (d) If a hospital elects to use an independent certified public
 5 accounting firm under subsection (c), the hospital shall provide
 6 written notice to the state board of accounts not less than one
 7 hundred eighty (180) days before the beginning of the hospital's
 8 fiscal year in which the hospital elects to be audited by an
 9 independent certified public accounting firm. For that hospital
 10 fiscal year, and each following fiscal year until the hospital
 11 terminates the hospital's use of an independent certified public
 12 accounting firm, the hospital shall use an independent certified
 13 public accounting firm under subsection (c). A hospital shall
 14 terminate its use of an independent certified public accounting firm
 15 under subsection (c) by providing written notice to the state board
 16 of accounts not less than one hundred eighty (180) days before the
 17 beginning of the hospital's fiscal year in which the hospital elects
 18 not to be audited by an independent certified public accounting
 19 firm. For that hospital fiscal year, and each following fiscal year
 20 until the hospital elects to use an independent certified public
 21 accounting firm as provided under this subsection, the hospital
 22 must be audited by the state board of accounts for purposes of
 23 section 12(a)(2) of this chapter. For any fiscal year in which the
 24 hospital does not use an independent certified public accounting
 25 firm under subsection (c), the hospital shall be audited by the state
 26 board of accounts.

27 SECTION 10. IC 16-22-3-21 IS AMENDED TO READ AS
 28 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 21. (a) The
 29 governing board may contract for and purchase, for the protection of
 30 the hospital, all types of insurance provided for in the Indiana insurance
 31 law in amounts and under terms and conditions the board considers
 32 reasonable and necessary. The insurance may include liability or
 33 malpractice coverage for the members of the board, the officers,
 34 employees, volunteers, and members of medical staff committees while
 35 performing services for the hospital. The board may, for the purpose of
 36 acquiring malpractice coverage, assist in the formation of a
 37 nonassessable mutual insurance company under IC 27-1-6 and
 38 IC 27-1-7-19.

39 (b) The governing board of a hospital organized or operated
 40 under this article may enter into a group purchasing agreement to
 41 purchase medical malpractice insurance with the following:

42 (1) One (1) or more hospitals organized or operated under

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1 **this article.**
 2 **(2) One (1) or more hospitals organized or operated under**
 3 **IC 16-23.**

4 SECTION 11. IC 16-22-3-28 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 28. (a) The
 6 governing board may enter into agreements with credit card companies
 7 or organizations authorized to do business in Indiana and may accept
 8 credit card payments from patients for services provided.

9 (b) The board may, in the establishment and maintenance of hospital
 10 records, use automated data processing systems and purchase, lease,
 11 operate, or contract for the use of automated data processing equipment
 12 subject to section 6 of this chapter and section 22 of this chapter.

13 (c) In addition to IC 5-14-1.5-6.1(b), a hospital organized or
 14 operated under this article ~~or IC 16-23-1~~ may hold executive sessions
 15 to do any of the following:

- 16 (1) Discuss and prepare bids, proposals, or arrangements that will
 17 be competitively awarded among health care providers.
 18 (2) Discuss recruitment of health care providers.
 19 (3) Discuss and prepare competitive marketing strategies.
 20 (4) Engage in strategic planning.
 21 (5) Participate in a motivational retreat with staff or personnel, if
 22 the hospital does not conduct any official action (as defined in
 23 IC 5-14-1.5-2(d)).

24 (d) IC 5-14-1.5-5, IC 5-14-1.5-6.1, and IC 5-14-1.5-7 apply to
 25 executive sessions held under subsection (c).

26 (e) A hospital organized or operated under this article ~~or under~~
 27 ~~IC 16-23-1~~ may hold confidential, until the information contained in
 28 the records is announced to the public, records of a proprietary nature
 29 that if revealed would place the hospital at a competitive disadvantage,
 30 such as the following:

- 31 (1) Terms and conditions of preferred provider arrangements.
 32 (2) Health care provider recruitment plans.
 33 (3) Competitive marketing strategies regarding new services and
 34 locations.

35 SECTION 12. IC 16-22-8-6.5 IS ADDED TO THE INDIANA
 36 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 37 [EFFECTIVE UPON PASSAGE]: **Sec. 6.5. (a) In addition to**
 38 **IC 5-14-1.5-6.1(b), the corporation may hold executive sessions**
 39 **concerning the division of public hospitals to do any of the**
 40 **following:**

- 41 **(1) Discuss and prepare bids, proposals, or arrangements that**
 42 **will be competitively awarded among health care providers.**



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- 1 **(2) Discuss recruitment of health care providers.**
- 2 **(3) Discuss and prepare competitive marketing strategies.**
- 3 **(4) Engage in strategic planning.**
- 4 **(5) Participate in a motivational retreat with staff or**
- 5 **personnel if the corporation does not conduct any official**
- 6 **action (as defined in IC 5-14-1.5-2(d)).**
- 7 **(b) IC 5-14-1.5-5, IC 5-14-1.5-6.1, and IC 5-14-1.5-7 apply to**
- 8 **executive sessions held under subsection (a).**
- 9 **(c) The corporation may hold confidential, until the information**
- 10 **contained in the records is announced to the public, records of a**
- 11 **proprietary nature that if revealed would place the corporation at**
- 12 **a competitive disadvantage, including the following:**
- 13 **(1) Terms and conditions of preferred provider arrangements.**
- 14 **(2) Health care provider recruitment plans.**
- 15 **(3) Competitive marketing strategies regarding new services**
- 16 **and locations.**
- 17 SECTION 13. IC 16-22-8-9.1 IS ADDED TO THE INDIANA
- 18 CODE AS A NEW SECTION TO READ AS FOLLOWS
- 19 [EFFECTIVE UPON PASSAGE]: **Sec. 9.1. A member of an**
- 20 **appointing authority that is identified in section 9 of this chapter**
- 21 **may not serve on the corporation's governing board.**
- 22 SECTION 14. IC 16-22-8-34.5 IS ADDED TO THE INDIANA
- 23 CODE AS A NEW SECTION TO READ AS FOLLOWS
- 24 [EFFECTIVE UPON PASSAGE]: **Sec. 34.5. The governing board of**
- 25 **the corporation may enter into a group purchasing agreement to**
- 26 **purchase medical malpractice insurance with the following:**
- 27 **(1) One (1) or more hospitals organized or operated under**
- 28 **this article.**
- 29 **(2) One (1) or more hospitals organized or operated under**
- 30 **IC 16-23.**
- 31 SECTION 15. IC 16-22-13-1 IS AMENDED TO READ AS
- 32 FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 1. This chapter**
- 33 **applies to a nonprofit hospital corporation that meets the following**
- 34 **conditions:**
- 35 **(1) Is established in or within one (1) mile of a city.**
- 36 **(2) Has articles of incorporation or a constitution or bylaws that**
- 37 **provide the following:**
- 38 **(A) The incorporators shall be the first board of trustees,**
- 39 **which is the sole governing board, and which elects successors**
- 40 **at stated periods from reputable citizens of the city and vicinity**
- 41 **who meet the following conditions:**
- 42 **(i) Include one (1) licensed physician.**

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- 1 (ii) Are persons interested in the benevolent work of the
- 2 hospital, chosen without reference to political or sectarian
- 3 influence.
- 4 (iii) Receive no compensation for services.
- 5 (B) The corporation's general corporate powers will be
- 6 exercised by a board of directors, who meet the following
- 7 conditions:
- 8 (i) May include one (1) licensed physician.
- 9 (ii) Are residents of the **city county** in which the hospital is
- 10 located and elected by a board of electors consisting of
- 11 representatives from each organized church, religious
- 12 association, labor union and fraternal, charitable, military,
- 13 patriotic, and civic organization in the city.
- 14 (3) The revenue derived from the care of persons able to pay for
- 15 services and from all other sources is expended in the
- 16 maintenance of the hospital and for the care of persons who are
- 17 unable to pay, to the extent of the hospital's ability to assist, so
- 18 that revenues are insufficient to support and maintain the hospital
- 19 and enable the hospital to supply the demand for hospital care and
- 20 nursing in the city and community.

21 SECTION 16. IC 16-23-1-3 IS AMENDED TO READ AS
 22 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) A governing
 23 board shall manage the hospital. The board consists of ~~the following~~
 24 seven (7) members, all of whom must be qualified voters of the county
 25 in which the hospital is located.

- 26 ~~(1) Three (3) members must be residents of the city:~~
- 27 ~~(2) Three (3) members must be residents of the county living~~
- 28 ~~outside the corporate limits of the city:~~
- 29 ~~(3) The seventh member may reside either inside or outside the~~
- 30 ~~city:~~

31 ~~(b) Not more than four (4) members may be affiliated with one (1)~~
 32 ~~political party:~~

33 ~~(c) (b) One (1) or two (2) of the members must may be a licensed~~
 34 ~~and practicing physician. One (1) member must may be a registered~~
 35 ~~nurse.~~

36 ~~(d) (c) The governing board is a separate legal entity under the name~~
 37 ~~and style of "Board of Directors of _____ Hospital, _____,~~
 38 ~~Indiana".~~

39 SECTION 17. IC 16-23-1-4.1 IS ADDED TO THE INDIANA
 40 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 41 [EFFECTIVE UPON PASSAGE]: **Sec. 4.1. A member of an**
 42 **appointing authority for the governing board of a hospital**

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1 **established and operated under this article may not serve on the**
2 **hospital's governing board.**

3 SECTION 18. IC 16-23-1-19 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 19. **(a)** The
5 governing board shall do the following:

- 6 (1) Control and manage the city hospital.
- 7 (2) Make and establish all necessary or proper bylaws and rules
8 for the maintenance and operation of the hospital.
- 9 (3) Fix reasonable rates to patients for rooms, care, treatment, and
10 service that are necessary or proper to fulfill the purposes and
11 functions of the hospital.

12 **(b) In addition to IC 5-14-1.5-6.1(b), a hospital organized or**
13 **operated under this article may hold executive sessions to do any**
14 **of the following:**

- 15 (1) Discuss and prepare bids, proposals, or arrangements that
16 will be competitively awarded among health care providers.
- 17 (2) Discuss recruitment of health care providers.
- 18 (3) Discuss and prepare competitive marketing strategies.
- 19 (4) Engage in strategic planning.
- 20 (5) Participate in a motivational retreat with staff or
21 personnel if the hospital does not conduct any official action
22 (as defined in IC 5-14-1.5-2(d)).

23 **(c) IC 5-14-1.5-5, IC 5-14-1.5-6.1, and IC 5-14-1.5-7 apply to**
24 **executive sessions held under subsection (b).**

25 **(d) A hospital organized or operated under this article may hold**
26 **confidential, until the information contained in the records is**
27 **announced to the public, records of a proprietary nature that if**
28 **revealed would place the hospital at a competitive disadvantage,**
29 **including the following:**

- 30 (1) Terms and conditions of preferred provider arrangements.
- 31 (2) Health care provider recruitment plans.
- 32 (3) Competitive marketing strategies regarding new services
33 and locations.

34 SECTION 19. IC 16-23-1-19.5 IS ADDED TO THE INDIANA
35 CODE AS A NEW SECTION TO READ AS FOLLOWS
36 [EFFECTIVE UPON PASSAGE]: Sec. 19.5. **The governing board of**
37 **a hospital organized or operated under this article may enter into**
38 **a group purchasing agreement to purchase medical malpractice**
39 **insurance with the following:**

- 40 (1) One (1) or more hospitals organized or operated under
41 this article.
- 42 (2) One (1) or more hospitals organized or operated under

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1 **IC 16-22.**
2 **SECTION 20. An emergency is declared for this act.**

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Health, to which was referred House Bill 1259, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 5, line 35, delete "(2)".

Page 5, line 35, strike "At least one (1) member, but" and insert **"(2)"**.

Page 5, line 35, delete "not" and insert "Not".

Page 5, line 36, delete ",".

Page 5, line 37, after "(5)" insert **"(2)"**.

Page 5, line 37, reset in roman "One (1) member".

Page 5, line 37, after "must" insert **"may"**.

Page 5, line 37, reset in roman "be a registered nurse licensed to".

Page 5, reset in roman line 38.

Page 6, delete lines 27 through 31.

Page 7, line 41, after "accounts." insert **"An audit by a certified accounting firm must be performed pursuant to auditing standards established in guidelines by the state board of accounts."**

Page 8, between lines 1 and 2, begin a new paragraph and insert:

"(d) If a hospital elects to use an independent certified accounting firm under subsection (c), the hospital shall provide written notice to the state board of accounts not less than one hundred eighty (180) days before the beginning of the hospital's fiscal year in which the hospital elects to be audited by an accounting firm. For the hospital's fiscal year, and each following fiscal year, the hospital shall use an independent certified public accounting firm. A hospital may terminate its use of an accounting firm under subsection (c) by providing written notice to the state board of accounts not less than one hundred eighty (180) days before the beginning of the hospital's fiscal year in which the hospital elects not to be audited by an accounting firm. For any fiscal year in which the hospital does not use an independent certified public accounting firm, the hospital shall be audited by the state board of accounts."

Page 8, line 15, delete "an" and insert **"a group purchasing"**.

Page 8, line 15, delete "the".

Page 8, line 16, delete "hospital's group".

Page 8, delete lines 41 through 42.

Page 9, delete lines 1 through 7.

Page 9, line 22, after "sessions" insert **"concerning the division of public hospitals"**

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Page 9, delete lines 32 through 40.

Page 10, delete lines 9 through 35.

Page 10, line 39, delete "an" and insert "**a group purchasing**".

Page 10, line 39, delete "the".

Page 10, line 40, delete "corporation's group".

Page 12, delete lines 31 through 39.

Page 13, line 12, delete "an" and insert "**a group purchasing**".

Page 13, line 13, delete "the hospital's group".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1259 as introduced.)

BROWN C, Chair

Committee Vote: yeas 13, nays 0.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Health and Provider Services, to which was referred House Bill No. 1259, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Replace the effective dates in SECTIONS 1 through 16 with "[EFFECTIVE UPON PASSAGE]".

Page 5, line 35, strike "must".

Page 6, between lines 26 and 27, begin a new paragraph and insert: "SECTION 7. IC 16-22-2-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 13. Except as otherwise required by state law, a member of an appointing authority for the governing board of a hospital established and operated under this article, except a hospital established and operated under IC 16-22-8, may not serve on the hospital's governing board.**"

Page 7, line 34, delete "auditing hospitals." and insert "**hospital matters.**".

Page 7, line 36, delete "An" and insert "**The**".

Page 7, line 36, after "audit" insert "**engagement**".

Page 7, line 36, after "certified" insert "**public**".

Page 7, line 37, delete "auditing standards" and insert "**guidelines**".

Page 7, line 38, delete "in guidelines".

Page 7, line 38, delete "However,".

Page 7, delete lines 39 through 41.

Page 7, line 42, after "certified" insert "**public**".

Page 8, line 4, after "an" insert "**independent certified public**".

Page 8, line 4, after "For" insert "**that**".

Page 8, line 5, delete "the hospital's" and insert "**hospital**".

Page 8, line 5, delete "year, the" and insert "**year until the hospital terminates the hospital's use of an independent certified public accounting firm, the**".

Page 8, line 6, after "firm" insert "**under subsection (c)**".

Page 8, line 7, delete "may" and insert "**shall**".

Page 8, line 7, after "an" insert "**independent certified public**".

Page 8, line 11, after "an" insert "**independent certified public**".

Page 8, line 11, after "firm." insert "**For that hospital fiscal year, and each following fiscal year until the hospital elects to use an independent certified public accounting firm as provided under this subsection, the hospital must be audited by the state board of**

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accounts for purposes of section 12(a)(2) of this chapter."

Page 8, line 13, after "firm" insert "**under subsection (c)**".

Page 10, between lines 4 and 5, begin a new paragraph and insert:

"SECTION 13. IC 16-22-8-9.1 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9.1. A member of an appointing authority that is identified in section 9 of this chapter may not serve on the corporation's governing board.**"

Page 11, between lines 20 and 21, begin a new paragraph and insert:

"SECTION 17. IC 16-23-1-4.1 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4.1. A member of an appointing authority for the governing board of a hospital established and operated under this article may not serve on the hospital's governing board.**"

Page 12, after line 19, begin a new paragraph and insert:

"SECTION 20. **An emergency is declared for this act.**"

Re-number all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1259 as printed January 24, 2002.)

MILLER, Chairperson

Committee Vote: Yeas 6, Nays 0.

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